

Message Text

SECRET

PAGE 01 CAIRO 12289 01 OF 02 051825Z
ACTION NEA-11

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
SSM-03 ACDA-12 IO-13 OMB-01 EB-08 TRSE-00 AID-05
OES-07 AGRE-00 FDRE-00 /114 W
-----028546 051851Z /41

R 051740Z MAY 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 8777
INFO AMEMBASSY TEL AVIV

S E C R E T SECTION 01 OF 02 CAIRO 12289

E.O. 11652: GDS
TAGS: EG PGOV EAID
SUBJECT: MEETING WITH ASU SEC GEN MUSTAFA KHALIL

SUMMARY: DURING PERIODIC MEETING WITH ASU SEC GEN MU-
STAF A KHALIL ON MAY 4, HE STRONGLY CRITICIZED SALEM
AND MEMBERS OF HIS GOVERNMENT FOR POOR DEFENSE OF GOE
POLICIES, INEPTNESS AND CORRUPTION AND COVER-UP THEREOF.
HE BELIEVES SADAT STILL HAS WIDE POPULAR SUPPORT FOR
PEACE INITIATIVE AND HE PERSONALLY IS STILL HOPEFUL.
POLITICAL LIBERALIZATION HAS GONE TOO FAR TO REVERSE
WITHOUT MAJOR RISK. FORTHCOMING CABINET CHANGES UNLIKELY
TO BE SIGNIFICANT BUT "SUBSTANTIAL" CHANGES WILL TAKE
PLACE IN OCTOBER OR PERHAPS EARLIER. HE URGES U.S. TO
TRANSFER MORE FUNDS TO CIP PROGRAM NOW AS IT DID AFTER

JANUARY 1977 RIOTS. END SUMMARY.

1. POPULAR DISCONTENT. WIDESPREAD POPULAR DISCONTENT
IS IN LARGE PART FAULT OF GOE. RISING PRICES, WHICH IS
MAJOR CAUSE OF DISSENT, WAS POORLY HANDLED
IN PEOPLES ASSEMBLY BY ZAKARIA TEWFIQ IN PARTICULAR.
FURTHERMORE, THERE HAS NOT BEEN COHERENT AND CONSISTENT

SECRET

SECRET

PAGE 02 CAIRO 12289 01 OF 02 051825Z

EXPLANATION OF UNDERLYING CAUSES FOR PRICE RISES. GOV-
ERNMENT CORRUPTION AND FAVORITISM ARE EQUALLY IMPORTANT
SOURCES OF DISCONTENT. HAMID MAHMOUD IN APPEARANCE
BEFORE ASSEMBLY IN DEFENSE OF CHARGES OF HAVING DISTRI-
BUTED 144 APARTMENTS TO MINISTERS, MEMBERS OF MISR PARTY
AND THEIR RELATIVES WAS VERY MUCH ON DEFENSIVE AND
RESORTED TO INSULTS OF HELMI MURAD AND OTHERS. UNDER-

STANDABLY REACTION WAS INSULTING REPLIES AND DEGENERATION OF DEBATE. FACT WAS THAT APARTMENTS WERE DISTRIBUTED IN THIS MANNER.

2. CORRUPTION. GOE FAILURE TO PROSECUTE ANY OF CORRUPTION CASES, DATING BACK TO BOEING DEAL, AGRICULTURAL COOPERATIVES, AND WAQFS, HAVE BADLY UNDERMINED PUBLIC CONFIDENCE (COMPARISON TO FATE OF CHRISTIAN DEMOCRATS IN ITALY WAS MADE). KHALIL PERSONALLY HAD INSISTED TO PRESIDENT SADAT THAT HE DISCUSS PYRAMIDS PLATEAU PROJECT IN MAY 2 SPEECH BECAUSE OF WIDESPREAD PUBLIC INTEREST. KHALIL SAID HE EXAMINED AND APPROVED BUSINESS DEALS IN HIS CAPACITY AS DIRECTOR OF ARAB INVESTMENT BANK. HE HAD READ ALL OF THE DOCUMENTS PRESENTED TO PEOPLES ASSEMBLY ON PROJECT AND "IT IS A FRAUD". BRIEFLY, THE COMPANY WOULD INVEST \$2 MILLION, THE INFRASTRUCTURE WILL BE BUILT AT A COST OF \$97 MILLION AND THE RETURN OVER A 10 YEAR PERIOD IS ESTIMATED AT \$225 MILLION. THUS THE COMPANY WOULD MAKE \$125 MILLION PROFIT ON \$2 MILLION INVESTMENT. WITH REGARD TO AL-SAWI'S SON'S FILM CONTRACT WITH SAUDI INTEREST, KHALIL FLATLY SAID THAT AL-SAWI HAD LIED BEFORE PEOPLES ASSEMBLY WHEN HE SAID IT HAD ONLY BEEN MEMORANDUM OF UNDERSTANDING. KHALIL HAD SEEN THE DOCUMENT AND CLAIMED IT WAS FORMAL AGREEMENT.

SECRET

SECRET

PAGE 03 CAIRO 12289 01 OF 02 051825Z

3. PEACE PROCESS. PEACE PROCESS IS NOT A CAUSE OF PUBLIC DISCONTENT. VAST MAJORITY OF THE PEOPLE ARE NOT YET DISILLUSIONED, ONLY THE INTELLECTUALS. SADAT IS NOT PERSONALLY BLAMED BUT BEGIN IS. KHALIL RECALLED WITH PLEASURE HIS THREE ENCOUNTERS WITH WEIZMAN AND SAID HE IS STILL HOPEFUL ABOUT SETTLEMENT, HOWEVER, EGYPT IS COUNTING HEAVILY ON U.S. SUPPORT.

4. POLITICAL LIBERALIZATION. PROCESS HAS GONE FASTER THAN ORIGINALLY ENVISAGED. HOWEVER, KHALIL BELIEVES IN IT AND INSISTS THAT CHANGES IN THE FUTURE MUST ABIDE BY THE CONSTITUTION AND THE LAW. IN ANY CASE, IT HAS NOW GONE TOO FAR TO REVERSE WITHOUT CREATING MAJOR "PROBLEMS. FOR EXAMPLE, A CRACK-DOWN ON OPPOSITION PRESS AND DEBATE IN PEOPLES ASSEMBLY COULD SERVE AS CATALYST TO UNITE DISPARATE OPPOSITION ELEMENTS. SADAT'S MAY 2 WARNINGS WERE MILD THREATS TO IRRESPONSIBLE CRITICS.

5. CABINET CHANGES. CURRENT RESHUFFLE IS UNLIKELY TO AMOUNT TO MUCH. IT CERTAINLY WILL NOT BE DRASTIC ENOUGH TO BEGIN JOB ON RESOLVING PRESSING ECONOMIC ISSUES

OR CORRUPTION. MUCH MORE SUBSTANTIAL CHANGE IS REQUIRED AND WILL TAKE PLACE IN OCTOBER OR "PERHAPS EARLIER." GOVERNMENT IS NOT HAVING ANY DIFFICULTY IN PERSUADING THOSE IT WANTS TO TAKE MINISTERIAL PORTFOLIOS. KHALIL ACKNOWLEDGED THAT HE IS FREQUENTLY MENTIONED AS PRIME CANDIDATE FOR PRIME MINISTER BUT SAID ANY CHANGE WOULD HAVE TO BE WITHIN BOUNDS OF DEMOCRATIC PRACTICES WHICH WOULD MEAN HE WOULD HAVE TO JOIN MISR PARTY. KHALIL REVEALED THAT HE HAD BEEN SLATED TO BECOME DEPUTY LEADDER OF PARTY IN CHARGE OF ORGANIZATION BUT SALEM HAD REFUSED TO LET HIM BECAUSE OF HIS (SALEM'S) "SENSITIVITY." KHALIL BELIEVES CENTER PARTY WILL BE

SECRET

NNN

SECRET

PAGE 01 CAIRO 12289 02 OF 02 051825Z
ACTION NEA-11

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
SSM-03 ACDA-12 IO-13 OMB-01 EB-08 TRSE-00 AID-05
OES-07 AGRE-00 FDRE-00 /114 W
-----028548 051850Z /41

R 051740Z MAY 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 8778
INFO AMEMBASSY TEL AVIV

S E C R E T SECTION 02 OF 02 CAIRO 12289

RULING PARTY AT LEAST UNTIL NEXT ELECTIONS, SCHEDULED FOR 1981. DESPITE INTEREST WAFD HAS CREATED, IT DOES NOT HAVE WIDE PUBLIC APPEAL. ITS PLATFORM IS DOWNRIGHT REACTIONARY.

6. U.S. AID. APROPOS TO NOTHING IN PARTICULAR, AS POLCOUNS DEPARTING KHALIL SAID U.S. COULD ASSIST AT PRESENT TIME BY TRANSFERRING UNDERUTILIZED AID FUNDS TO CIP PROGRAM FOR IMPORT OF FOOD, SIMILAR TO WHAT WE DID AFTER JANUARY 1977 RIOTS. EILTS

SECRET

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ARABS, GOVERNMENT REFORM, COMMITTEE MEETINGS, SPECIAL INTEREST GROUPS, PUBLIC ATTITUDES
Control Number: n/a
Copy: SINGLE
Draft Date: 05 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CAIRO12289
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780192-0892
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780590/aaaacyvw.tel
Line Count: 163
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 60ddcba3-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 15 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2784878
Secure: OPEN
Status: NATIVE
Subject: MEETING WITH ASU SECGEN MUSTAFA KHALIL SUMMARY: DURING PERIODIC MEETING WITH ASU SECGEN MU- STAFA KHALIL ON MAY 4, HE STRONGLY CRITICIZED SALE
TAGS: PGOV, EAID, EG, ASU, ARAB SOCIALIST UNION, (KHALIL, MUSTAFA)
To: STATE
Type: TE
vdkgvkey: odb://SAS/SAS.dbo.SAS_Docs/60ddcba3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014